

Message Text

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TO AMEMBASSY NASSAU NIACT IMMEDIATE

INFO AMEMBASSY LONDON PRIORITY

C O N F I D E N T I A L STATE 301837

E.O. 11652: GDS

TAGS: MARR, BF, US

SUBJECT:FACILITIES NEGOTIATIONS

REFERENCE: A. NASSAU 2129; B. NASSAU 2128; C. STATE 294636

FOR AMBASSADOR FROM ROGERS

1. WE HAVE GIVEN CAREFUL ATTENTION TO REFTELS A. AND B.
I BELIEVE WHAT FOLLOWS IS AS RESPONSIVE TO YOUR REQUIRE-
MENTS AS WE CAN BE AT THIS TIME. THOUGH DECEMBER 31
QUOTE DEADLINE UNQUOTE DOES NOT HAVE LEGAL FORCE, POLITICAL
AND PSYCHOLOGICAL IMPORTANCE OF GETTING BALL BACK IN
GCOB COURT SEEMS TO ME A MAJOR ELEMENT IN PRESENT
SITUATION. FOLLOWING SHOULD PERMIT US TO DO THAT. THERE
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IS ALSO THE CONSIDERATION THAT WE ARE STILL VERY UNCER-
TAIN ABOUT GCOB WISHES AND TACTICS. ONLY TALKING WITH
THEM WILL CLARIFY MANY OF THE PROBLEMS WITH WHICH WE HAVE
BEEN WRESTLING.

2. WE CONTINUE TO AGREE WITH YOU THAT THE PREFERRED NEGOTIATING POSTURE IS THAT OUTLINED IN PARA 2 (A) OF REFTEL A, AND WE HAVE ENDEAVORED TO DEVELOP OUR OFFER TO THE GCOB IN THE SPIRIT OF THAT STRATEGY. YOU SHOULD NOT (REPEAT NOT) INTERPRET CONTENTS OF REFTEL C. AS SUGGESTING

AN INTENTION ON OUR PART TO MAKE QUOTE SIGNIFICANT CONCESSIONS UNQUOTE IN EVENT OF INITIAL TURNDOWN OF OUR OFFER. DOD, HOWEVER, CONTINUES TO FEEL STRONGLY THAT AN OPTION FOR USG REVIEW OF THE MATTER SHOULD BE RESERVED IF NEGOTIATION IS CLEARLY HEADED FOR FAILURE. ALL PARTIES HERE HAVE MADE REAL EFFORT TO ACCOMMODATE DIFFERING VIEWS, AND I FEEL WE CAN LIVE WITH THIS POSITION EVEN THOUGH IT OBVIOUSLY IS NOT AS CATEGORIC AS YOU WOULD LIKE. ON KEY AID QUESTION, WE ARE ALL AGREED THAT IF GCOB RESPONDS TO OUR LETTER BY AGAIN RAISING REQUEST FOR AID, YOU SHOULD FLATLY TELL GCOB THAT WE CANNOT CONSIDER INCLUDING IN OUR QUID ANY CONCESSIONAL ASSISTANCE PROGRAMS.

3. SUGGESTED TEXT OF OUR RESPONSE TO ADDERLEY CONTAINED IN PARAGRAPH 4. FOLLOWING ARE EXPLANATORY COMMENTS:

A. TIMING. BELIEVE WE HAVE A SOLID LEGAL CASE THAT THERE IS NO OBLIGATION TO PAY RENT RETROACTIVELY AND THAT CONTINUANCE AGREEMENT REMAINS IN FORCE DURING NEGOTIATIONS WITH OR WITHOUT TARGET DATE EXTENSION, BUT CONSIDER IT ESSENTIAL IN SUPPORTING OUR CASE THAT WE DELIVER RESPONSE TO ADDERLEY'S LETTERS PRIOR DECEMBER 31.

B. RENTAL. WE DO NOT WISH TO COMPLICATE OUR OFFER AT THIS TIME WITH TECHNICALITIES OF USG LEASING AUTHORITY. THESE SHOULD BE DISCUSSED WHEN SEPARATE AND SUBSIDIARY LEASE ARRANGEMENTS ARE NEGOTIATED. DURATION OF FACILITIES AGREEMENT, 15 YEARS, IS SEPARATE ISSUE FROM MEANS OF PAYMENT. ACCORDINGLY, LATTER IS NOT DISCUSSED
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IN LETTER.

C. TRAINING PROGRAM. WE ARE TRYING TO BE AS FORTHCOMING AS POSSIBLE, BUT OVERRIDING REQUIREMENT FOR RESPONSE TO ADDERLEY CONSTRAINS US TO PRESENT OFFER AS REWORDED WHILE DETAILS ARE BEING WORKED OUT. WE CONCUR WITH THE INTENT OF YOUR POSITION AND HAVE GIVEN YOU WORDS TO CONVEY THE IDEA.

D. PREPAYMENTS. CHANGE IN US FISCAL YEAR LEADS TO SOME DOUBT ON EXACTLY HOW PREPAYMENT FORMULA WOULD WORK OUT. THIS AFFECTS MAXIMUM AMOUNT OF INITIAL PAYMENT WE COULD OFFER WITHOUT SEEKING CONGRESSIONAL AUTHORIZATION,

DEPENDING ON DATE WHEN NEGOTIATIONS ARE SUCCESSFULLY CONCLUDED. THEREFORE, TIMING OF COMPLETION OF NEGOTIATIONS WILL BE KEY FACTOR WHICH WILL DETERMINE AMOUNT OF PREPAYMENT POSSIBLE. FOR THIS REASON, WE CONSIDER THE ISSUE BEST LEFT UNADDRESSED AT THIS STAGE OF NEGOTIATIONS.

E. EXCESS DEFENSE ARTICLES. EXCESS DEFENSE ARTICLES ARE NOT AVAILABLE AT THIS TIME, AND PROBABLY WOULD NOT BE SUITABLE FOR GCOB NEEDS SHOULD THEY BECOME AVAILABLE LATER. EDA CANNOT THEREFORE BE PART OF OUR QUID OFFER.

F. ECONOMIC ASSISTANCE. REFTEL C. AUTHORIZES YOU TO BE EXPLICITLY NEGATIVE ON ECONOMIC ASSISTANCE ISSUE. OUR WRITTEN RESPONSE TO ADDERLEY OFFERS VERY SUBSTANTIAL ECONOMIC BENEFITS AND WE ARE RELUCTANT TO HIGHLIGHT ABSENCE OF CONCESSIONAL ASSISTANCE OFFER IN LETTER TO HIM. IF AFTER RECEIVING LETTER, ADDERLEY ASKS QUOTE WHAT ABOUT AN ECONOMIC ASSISTANCE PROGRAM?UNQUOTE YOU MAY SAY THAT WE CANNOT CONSIDER INCLUDING IN OUR COMPENSATION FOR FACILITIES ANY CONCESSIONAL ASSISTANCE PROGRAMS.

G. OPERATING RIGHTS. SINCE THE GCOB DID NOT RAISE ISSUE OF OPERATING RIGHTS IN LETTERS OF AUGUST 15 AND SEPTEMBER 25, WE DO NOT CONSIDER RESPONSE TO THOSE LETTERS SHOULD ADDRESS ISSUE. HOWEVER, SHOULD ISSUE BE RAISED, ENCLOSURE TWO OF QUANT TO LUERS LETTER DATED CONFIDENTIAL

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3 DECEMBER 1975 PROVIDES CONSIDERABLE GUIDANCE AND FLEXIBILITY ON THIS MATTER.

H. LANDS TO BE RETURNED. WE ARE AWAITING AN AUTHORITY REPLY FROM THE BRITISH ON THIS ISSUE. OUR RESPONSE OBTAINES THE REQUIREMENT FOR A SPECIFIC ACCOUNTING UNTIL LATER ON IN THE NEGOTIATIONS.

4. LETTER TO ADDERLEY AS FOLLOWS:

QUOTE: DEAR MR. MINISTER:

MY GOVERNMENT HAS GIVEN THE MOST CAREFUL CONSIDERATION TO YOUR LETTERS OF AUGUST 15 AND SEPTEMBER 25 CONCERNING U.S. FACILITIES AND OPERATING RIGHTS IN THE BAHAMAS. IT IS THE PURPOSE OF THIS LETTER TO RESPOND TO THOSE COMMUNICATIONS.

IT IS MY UNDERSTANDING THAT BASIC AGREEMENT IN PRINCIPLE EXISTS BETWEEN OUR TWO GOVERNMENTS AS TO THE DESIRABILITY OF MAINTAINING U.S. FACILITIES IN THE BAHAMAS. THE NEGOTIATIONS WHICH TOOK PLACE IN 1973 AND EXCHANGES SINCE THAT TIME SEEM TO MAKE THIS PRINCIPLE AMPLY CLEAR. MY

GOVERNMENT NATURALLY APPRECIATES THE DESIRE ON THE PART OF THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS TO SECURE CERTAIN BENEFITS AS A BASIS FOR NEGOTIATING THE CONTINUED OPERATION OF THESE FACILITIES BY THE U.S.

IN CONSIDERING WHAT MIGHT REPRESENT A REASONABLE

RECOMPENSE, THE UNITED STATES WAS GUIDED IN THE FIRST INSTANCE BY THE ENTIRE VALUE OF THE FACILITIES TO US IN THEIR PRESENT LOCATION. YOU WILL, I AM CERTAIN, APPRECIATE THAT MY GOVERNMENT COULD NOT JUSTIFY PAYING COMPENSATION WHICH SUBSTANTIALLY EXCEEDED THE COSTS OF RELOCATING ELSEWHERE. AT THE SAME TIME, HOWEVER, IN ANALYZING THE PROBLEM, RECOGNIZING THE UNDERSTANDABLE DESIRE OF THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS TO ACHIEVE THOSE ECONOMIC ADVANTAGES WHICH, AS YOUR LETTERS HAVE POINTED OUT, ARE SO IMPORTANT TO IT, MY GOVERNMENT HAS CONCLUDED THAT SUBSTANTIAL BENEFITS COULD ACCRUE TO THE GOVERNMENT OF THE COMMONWEALTH OF THE CONFIDENTIAL

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BAHAMAS WITHIN A FRAMEWORK CONSISTENT WITH THE VALUE OF THE FACILITIES TO US. MY GOVERNMENT HAS MADE AN ANALYSIS OF AVAILABLE RESOURCES, AND FROM THOSE RESOURCES HAS SHAPED A PACKAGE OFFER WHICH WE BELIEVE WILL BE SIGNIFICANTLY BENEFICIAL TO THE BAHAMAS.

BASED ON THE FOREGOING FACTORS, MY GOVERNMENT IS PREPARED TO OFFER THE FOLLOWING ECONOMIC CONSIDERATIONS UPON CONCLUSION OF A SUCCESSFUL NEGOTIATION OF AGREEMENTS RELATING TO U.S. FACILITIES IN THE BAHAMAS:

A. ANY AGREEMENT WHICH IS NEGOTIATED SHOULD PERMIT U.S. USE OF THE FACILITIES FOR AT LEAST 15 YEARS. FOR THIS PURPOSE, MY GOVERNMENT IS PREPARED TO OFFER A CASH CONSIDERATION OF 5 MILLION DOLS. PER YEAR, WHICH OVER THE LIFE OF THE AGREEMENT WOULD TOTAL 75 MILLION DOLS. ANY PERIOD LESS THAN 15 YEARS WOULD MAKE A FURTHER CAPITAL INVESTMENT IN THE FACILITIES FOR IMPROVEMENT AND MODERNIZATION OF QUESTIONABLE WISDOM. WITHOUT SUCH FURTHER CAPITAL INVESTMENT, THE FACILITIES WOULD LOSE A SUBSTANTIAL PORTION OF THEIR UTILITY TO MY GOVERNMENT.

B. OVER A 15-YEAR PERIOD, THE USG PROPOSES TO UNDERTAKE CERTAIN MODIFICATIONS TO THE FACILITIES, SUCH AS PORT IMPROVEMENT AND HARBOR DREDGING, WHICH ARE ESTIMATED TO PROVIDE TO THE BAHAMIAN ECONOMY BENEFITS TALLING APPROXIMATELY 15 MILLION DOLS.

C. IN ADDITION TO THE FOREGOING CONSIDERATIONS, THE GOVERNMENT OF THE BAHAMAS IS ESTIMATED TO BENEFIT IN AN AMOUNT OF AT LEAST 4 MILLION DOLS. ANNUALLY FROM

SALARIES AND OTHER EXPENDITURES MADE BY THE UNITED STATES IN CONNECTION WITH THE OPERATION OF ITS FACILITIES IN THE BAHAMAS. MOREOVER, WE ARE PREPARED TO UNDERTAKE EFFORTS TO INCREASE THESE BENEFITS BY HIRING ADDITIONAL QUALIFIED BAHAMIANS FOR WORK AT THE FACILITIES. AT CURRENT LEVELS, THESE BENEFITS TO THE BAHAMAS ARE ESTIMATED

TO AMOUNT TO NOT LESS THAN 60 MILLION DOLS. OVER A 15-YEAR PERIOD OF AGREEMENT.

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D. IN ADDITION TO HIRING ADDITIONAL QUALIFIED BAHAMIANS FOR WORK AT THE FACILITIES, MY GOVERNMENT IS INVESTIGATING MEANS TO EQUIP BAHAMIAN PERSONNEL IN CERTAIN SKILLS SO AS TO PERMIT A SUBSTANTIAL INCREASE IN THE NUMBER OF BAHAMIANS QUALIFIED TO BE EMPLOYED IN SKILLED WORK AT THE U.S. FACILITIES. BENEFITS EXPECTED TO ACCRUE TO THE BAHAMAS ARE ESTIMATED TO EXCEED 15 MILLION DOLS.

E. MY GOVERNMENT IS ALSO PREPARED TO SEEK CREDITS UNDER FOREIGN MILITARY SALES FOR THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS TO PURCHASE ITEMS OF MILITARY EQUIPMENT, CONSISTENT WITH THE REPORT OF THE BAHAMAS' TECHNICAL SURVEY TEAM OF SEPTEMBER 21, 1973, OR AS MAY OTHERWISE BE MUTUALLY AGREED UPON. PROVIDED THAT SUFFICIENT FUNDS ARE AVAILABLE FROM CONGRESSIONAL AUTHORIZATION AND APPROPRIATIONS, A CREDIT IN THE AMOUNT OF 5 MILLION DOLS. WOULD BE MADE AVAILABLE IN THE FISCAL YEAR FOLLOWING SUCCESSFUL NEGOTIATIONS, AND MY GOVERNMENT WILL SEEK ADDITIONAL CREDITS FOR THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS IF DESIRED, UP TO A TOTAL OF 25 MILLION DOLS. OVER THE LIFE OF THE AGREEMENT, SUBJECT TO CONGRESSIONAL APPROVAL.

F. MY GOVERNMENT IS FURTHER PREPARED TO RELEASE SUBSTANTIAL LAND AREAS WHICH HAVE HITHERTO BEEN INCLUDED AS PART OF U.S. FACILITIES IN THE BAHAMAS. ACCORDING TO OUR RECORDS, THESE LANDS CONSTITUTE OVER 2,000 ACRES. DELINEATION OF THESE LAND AREAS COULD BE UNDERTAKEN AT A FUTURE DATE BY APPROPRIATE REPRESENTATIVES OF OUR GOVERNMENTS.

G. THE ABOVE OFFERS SHALL BE EFFECTIVE AS OF THE DATE UPON WHICH SUCH NEGOTIATION IS COMPLETED. THESE OFFERS DO NOT INCLUDE RETROACTIVE PAYMENTS, BECAUSE MY GOVERNMENT LACKS LEGISLATIVE AUTHORITY FOR MAKING RETROACTIVE PAYMENTS FOR WHICH THERE HAS BEEN NO PRIOR OBLIGATION.

THE ABOVE OFFERS ARE PREDICATED ON THE VIEW THAT THE

AGREEMENTS NOW IN FORCE REMAIN VALID UNTIL REPLACED BY
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THE NEW AGREEMENT WE ARE NEGOTIATING. IT IS THE
SINCERE BELIEF OF MY GOVERNMENT THAT THE ECONOMIC
CONSIDERATIONS SET FORTH ABOVE, WHICH TOTAL WELL OVER
175 MILLION DOLS., PROVIDE VERY SUBSTANTIAL BENEFITS TO
THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS. IN

ADDITION, WE ATTACH GREAT IMPORTANCE TO THE INTANGIBLE
BUT VERY REAL BENEFIT WHICH DERIVES FROM THE CLOSE AND
FRIENDLY WORKING RELATIONSHIP BETWEEN OUR TWO
COUNTRIES, WHICH IS ENHANCED BY THE PRESENCE OF U.S.
FACILITIES IN THE TERRITORY OF THE GOVERNMENT OF THE
COMMONWEALTH OF THE BAHAMAS. IT IS MY HOPE, THEREFORE,
THAT YOU WILL BE ABLE TO RESPOND FAVORABLY TO THE ABOVE
PROPOSALS, SO THAT WE MAY EXPEDITIOUSLY CONCLUDE
NEGOTIATIONS. (COMPLIMENTARY CLOSING) UNQUOTE. KISSINGER

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